

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE  
PERIOD JULY 1, 1963, TO DECEMBER 31, 1968

In the following statement of the expected operations and status of the trust funds during the period July 1, 1963, to December 31, 1968, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

Estimates are presented in table 11 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1964-68. They are based on the assumption that economic activity will expand throughout the period, with employment and earnings increasing steadily through 1968. Under this assumption the estimated number of persons with taxable earnings under the old-age, survivors, and disability insurance program is expected to increase from 75.8 million during calendar year 1963 to 81.8 million during calendar year 1968; their taxable earnings are estimated to increase from \$228 billion in 1963 to \$263 billion in 1968. The increase in estimated income from contributions in fiscal years 1964-68

Table 11.--Operations of the old-age and survivors insurance trust fund, fiscal years 1937-68

[In millions]

Fiscal year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions <sup>1/</sup>	Interest on investments <sup>2/</sup>	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses <sup>3/</sup>	Transfers to railroad retirement account		
Past experience:								
1937-63.....	\$109,352	\$7,648	\$15	\$93,848	\$2,424	\$1,805	\$18,939	\$18,939
1941.....	688	56	---	64	27	---	653	2,398
1942.....	896	71	---	110	27	---	830	3,227
1943.....	1,130	87	---	149	27	---	1,041	4,268
1944.....	1,292	103	---	185	33	---	1,178	5,446
1945.....	1,310	124	---	240	27	---	1,167	6,613
1946.....	1,238	148	---	321	37	---	1,028	7,641
1947.....	1,459	163	( <sup>4/</sup> )	426	41	---	1,157	8,798
1948.....	1,616	191	1	512	47	---	1,248	10,047
1949.....	1,690	230	3	607	53	---	1,263	11,310
1950.....	2,106	257	4	727	57	---	1,583	12,893
1951.....	3,120	287	4	1,498	70	---	1,843	14,736
1952.....	3,594	334	4	1,982	85	---	1,864	16,600
1953.....	4,097	387	---	2,627	89	---	1,766	18,366
1954.....	4,589	439	---	3,276	89	-12	1,676	20,043
1955.....	5,087	438	---	4,333	103	-10	1,098	21,141
1956.....	6,442	487	---	5,361	124	-7	1,452	22,593
1957.....	6,540	555	---	6,515	150	-5	436	23,029
1958.....	7,267	556	---	7,875	166	-2	-216	22,813
1959.....	7,565	543	---	9,049	206	124	-1,271	21,541
1960.....	9,843	517	---	10,270	202	600	-712	20,829
1961.....	11,293	531	---	11,185	236	332	72	20,900
1962.....	11,455	541	---	12,658	251	361	-1,274	19,626
1963.....	13,328	515	---	13,845	263	423	-687	18,939
Estimated future experience:								
1964.....	15,314	531	---	14,629	307	423	487	19,426
1965.....	15,659	556	56	15,376	296	418	181	19,607
1966.....	16,996	580	56	16,114	312	430	776	20,383
1967.....	18,833	647	56	16,845	329	430	1,932	22,315
1968.....	20,376	753	56	17,585	338	410	2,852	25,167

<sup>1/</sup> Beginning December 1952, includes adjustment for refunds.

<sup>2/</sup> Includes net profits on marketable investments and, beginning in 1958, interest on administrative expenses reimbursed by the disability insurance trust fund.

<sup>3/</sup> Receipts from sale of surplus materials, services, etc. are deducted from gross administrative expenses. Beginning in 1954, includes cost of construction of office space for the Social Security Administration. Beginning in 1957, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.

<sup>4/</sup> Less than \$500,000.

Note.--In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in December 1963.

reflects the assumed upward trend in the levels of employment and earnings as well as the effect of the scheduled increases in contribution rates, effective on January 1 of 1966 and 1968. Benefit disbursements increase because of the recent amendments and also because of the long-range upward trend in the number of beneficiaries under the program.

Income of the old-age and survivors insurance trust fund is expected to exceed outgo in each of the 5 fiscal years 1964-68. During this period, there is an estimated net increase in the trust fund of \$6.2 billion, most of which occurs in the last 2 fiscal years.

Estimates consistent with those shown on a fiscal-year basis in table 11 are presented in table 12 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. The trust fund is expected to increase in each of the 5 calendar years 1964-68, except 1965. During that year, which immediately precedes the year in which the next tax rate increase is scheduled to take effect, the outgo of the trust fund is estimated to exceed the income by a small amount. With the tax rate increases scheduled to take place in 1966 and 1968, total income is expected to exceed total disbursements by substantial amounts, and the trust fund will increase accordingly.

Benefit disbursements from the old-age and survivors insurance trust fund will continue to increase over the next 5 calendar years as the number of beneficiaries under the program increases. Table 13

Table 12.--Operations of the old-age and survivors insurance trust fund, calendar years 1937-68

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
<b>Past experience:</b>								
1937-62.....	\$101,372	\$7,397	\$15	\$86,806	\$2,259	\$1,382	\$18,337	\$18,337
1941.....	789	56	---	88	26	---	731	2,762
1942.....	1,012	72	---	131	28	---	926	3,688
1943.....	1,239	88	---	166	29	---	1,132	4,820
1944.....	1,316	107	---	209	29	---	1,184	6,005
1945.....	1,285	134	---	274	30	---	1,116	7,121
1946.....	1,295	152	---	378	40	---	1,029	8,150
1947.....	1,557	164	1	466	46	---	1,210	9,360
1948.....	1,685	281	3	556	51	---	1,362	10,722
1949.....	1,666	146	4	667	54	---	1,094	11,816
1950.....	2,667	257	4	961	61	---	1,905	13,721
1951.....	3,363	417	4	1,885	81	---	1,818	15,540
1952.....	3,819	365	---	2,194	88	---	1,902	17,442
1953.....	3,945	414	---	3,006	88	---	1,265	18,707
1954.....	5,163	447	---	3,670	92	-21	1,869	20,576
1955.....	5,713	454	---	4,968	119	-7	1,087	21,663
1956.....	6,172	526	---	5,715	132	-5	856	22,519
1957.....	6,825	556	---	7,347	162	-2	-126	22,393
1958.....	7,566	552	---	8,327	194	124	-528	21,864
1959.....	8,052	532	---	9,842	184	282	-1,724	20,141
1960.....	10,866	516	---	10,677	203	318	184	20,324
1961.....	11,285	548	---	11,862	239	332	-599	19,725
1962.....	12,059	526	---	13,356	256	361	-1,388	18,337
<b>Estimated future experience:</b>								
1963.....	14,541	521	---	14,217	281	423	143	18,480
1964.....	15,258	543	56	15,005	294	423	135	18,615
1965.....	15,768	568	56	15,747	302	418	-75	18,540
1966.....	18,168	614	56	16,479	319	430	1,610	20,150
1967.....	19,041	700	56	17,217	331	430	1,819	21,969
1968.....	21,685	828	56	17,968	338	410	3,853	25,822

Note.--In interpreting the above experience, reference should be made to the footnotes in table 11.

shows the annual amount of benefit payments distributed by classification of beneficiaries for each of the calendar years 1940-68. Benefit payments were 6.29 percent of taxable earnings for calendar year 1962. It is estimated that in 1968 benefit expenditures will be 7.09 percent of taxable earnings. Figures for each of the calendar years 1940-68 are shown in table 14.

The growth in the number of beneficiaries in the past and the expected growth in the future are attributable in large measure to the rising number of aged workers eligible for and receiving old-age (primary) benefits. The growth in the number of eligible workers aged 65 and over since 1940 has been uninterrupted. This growth resulted partly from the increase in the population at these attained ages, but primarily from two additional factors--(1) in each passing year a larger proportion of the persons attaining age 65 had fully insured status and (2) the amendments during the period 1950-61 liberalized the eligibility provisions and extended coverage to new areas of employment.

In addition there has been a growth in the proportion of eligible workers who get benefits. In the early years of the program, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits in the past remained in covered employment (or, if they left covered employment, later returned to it) and therefore did not receive benefits. Since 1945, however, the proportion of eligible workers receiving retirement

[In millions]

Calendar year	Total benefit disbursements	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			
				Monthly benefits			Lump-sum payments
				Total	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and dependent children	
Past experience: <sup>1/</sup>							
1940.....	\$35	\$15	\$2	\$6	2/	\$6	\$12
1941.....	88	44	8	24	\$3	21	13
1942.....	131	65	11	40	6	34	15
1943.....	166	79	14	55	10	45	18
1944.....	209	97	17	73	15	59	22
1945.....	274	126	22	100	21	79	26
1946.....	378	189	33	128	29	99	28
1947.....	466	245	43	149	38	111	29
1948.....	556	300	52	172	49	122	32
1949.....	667	373	64	197	62	134	33
1950.....	961	557	95	277	92	185	33
1951.....	1,885	1,135	186	507	165	342	57
1952.....	2,194	1,328	212	592	201	390	63
1953.....	3,006	1,884	291	744	260	483	87
1954.....	3,670	2,340	358	880	317	563	92
1955.....	4,968	3,253	495	1,108	412	695	113
1956.....	5,715	3,793	568	1,244	486	758	109
1957.....	7,347	4,888	799	1,521	672	849	139
1958.....	8,327	5,567	907	1,720	777	943	133
1959.....	9,842	6,548	1,059	2,063	946	1,117	171
1960.....	10,677	7,053	1,143	2,316	1,085	1,231	164
1961.....	11,862	7,802	1,230	2,659	1,262	1,396	171
1962.....	13,356	8,813	1,349	3,011	1,504	1,507	183
Estimated future experience:							
1963.....	14,217	9,391	1,404	3,215	1,645	1,570	206
1964.....	15,005	9,912	1,434	3,436	1,792	1,644	223
1965.....	15,747	10,393	1,467	3,651	1,940	1,711	236
1966.....	16,479	10,853	1,501	3,877	2,094	1,783	248
1967.....	17,217	11,311	1,541	4,107	2,253	1,854	258
1968.....	17,968	11,781	1,583	4,338	2,414	1,924	266

<sup>1/</sup> Partly estimated.<sup>2/</sup> Less than \$500,000.

Table 14.--Old-age and survivors insurance benefit payments as a percentage 1/ of taxable earnings, calendar years, 1940-68

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
Past experience:		Past experience--	
1940.....	0.11	Continued:	
1941.....	.21	1956.....	3.48
1942.....	.25	1957.....	4.20
1943.....	.27	1958.....	4.77
1944.....	.32	1959.....	5.03
1945.....	.44	1960.....	<sup>2/</sup> 5.33
1946.....	.55	1961.....	<sup>2/</sup> 5.86
1947.....	.59	1962.....	<sup>2/</sup> 6.29
1948.....	.66	Estimated future experience:	
1949.....	.82	1963.....	6.46
1950.....	1.10	1964.....	6.61
1951.....	1.61	1965.....	6.74
1952.....	1.76	1966.....	6.87
1953.....	2.28	1967.....	6.99
1954.....	2.83	1968.....	7.09
1955.....	3.26		

- 1/ For years 1951 and later, percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.
- 2/ Preliminary, subject to revision on complete tabulation of self-employment earnings for 1960-62 and of taxable wages for 1961-62.

benefits has been increasing except for temporary halts due to special circumstances resulting from the amendments of 1950 and 1954. In general, due to the increasing percentage of eligibles aged 72 or over, who receive benefits regardless of earnings, the upward trend in this proportion is expected to continue, although at a slower rate than in the past.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 15, together with the figures on actual experience in earlier years. Outgo of the disability insurance trust fund is expected to exceed income in each of the 5 fiscal years 1964-68. It is estimated that this fund will amount to \$1,186 million on June 30, 1968.

Estimates consistent with those shown on a fiscal-year basis in table 15 are presented in table 16 to show the progress of the disability insurance trust fund on a calendar-year basis. The total amount of benefit payments will continue to increase over the next 5 calendar years as the number of beneficiaries increases. Benefit expenditures as a percentage of payroll will also increase. Benefit payments were 0.52 percent of taxable earnings for calendar year 1962. It is estimated that in 1968 benefit payments will be 0.60 percent of taxable earnings, as shown in table 17.

Reference has been made in earlier sections to the financial interchanges between the railroad retirement account and the two trust funds under the provisions of the Railroad Retirement Act. The estimates shown in tables 11, 12, 15 and 16 reflect the effect of future financial interchanges.

Table 15.--Operations of the disability insurance trust fund, fiscal years 1957-68

[In millions]

Fiscal year	Transactions during period							Fund at end of period
	Income			Disbursements			Net increase in fund	
	Tax contributions <sup>1/</sup>	Interest on investments <sup>2/</sup>	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses <sup>3/</sup>	Transfers to railroad retirement account		
Past experience:								
1957-63....	\$6,265	\$293	---	\$3,922	\$233	\$9	\$2,394	\$2,394
41 1957.....	337	1	---	---	1	---	337	337
1958.....	926	16	---	168	12	---	762	1,099
1959.....	895	33	---	339	21	---	568	1,667
1960.....	987	47	---	528	32	-27	501	2,167
1961.....	1,022	61	---	704	36	5	337	2,504
1962.....	1,021	68	---	1,011	64	11	2	2,507
1963.....	1,077	67	---	1,171	67	20	-113	2,394
Estimated future experience:								
1964.....	1,131	65	---	1,255	68	20	-147	2,247
1965.....	1,159	62	\$4	1,324	82	19	-200	2,047
1966.....	1,185	55	4	1,392	84	20	-252	1,795
1967.....	1,212	47	4	1,448	88	20	-293	1,502
1968.....	1,247	37	4	1,491	93	20	-316	1,186

<sup>1/</sup> Adjusted for refunds.<sup>2/</sup> Includes net profits on marketable investments and, beginning in 1958, adjustment for interest on administrative expenses reimbursed to the old-age and survivors insurance trust fund.<sup>3/</sup> Expenses of the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.

Note.--Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in December 1963.

Table 16.--Operations of the disability insurance trust fund, calendar years 1957-68

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1957-62.....	\$5,652	\$259	---	\$3,323	\$232	-\$11	\$2,368	\$2,368
1957.....	702	7	---	57	3	---	649	649
1958.....	966	25	---	249	12	---	729	1,379
1959.....	891	40	---	457	50	-22	447	1,825
1960.....	1,010	53	---	568	36	-5	464	2,289
1961.....	1,038	66	---	887	64	5	148	2,437
1962.....	1,046	68	---	1,105	66	11	-69	2,368
Estimated future experience:								
1963.....	1,099	66	---	1,210	68	20	-133	2,235
1964.....	1,129	63	\$4	1,291	82	20	-197	2,038
1965.....	1,167	58	4	1,360	84	19	-234	1,804
1966.....	1,195	51	4	1,422	88	20	-280	1,524
1967.....	1,226	42	4	1,471	93	20	-312	1,212
1968.....	1,262	32	4	1,509	96	20	-327	885

Note.--In interpreting the above experience, reference should be made to the footnotes in table 15.

Table 17.--Disability insurance benefit payments as a percentage 1/ of taxable earnings, calendar years 1957-68

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
Past experience:		Estimated future experience:	
1957.....	.03	1963.....	.55
1958.....	.14	1964.....	.57
1959.....	.23	1965.....	.58
1960.....	<u>2/</u> .28	1966.....	.59
1961.....	<u>2/</u> .44	1967.....	.60
1962.....	<u>2/</u> .52	1968.....	.60

1/ Takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

2/ Preliminary, subject to revision on complete tabulation of taxable self-employment earnings for 1960-62 and of taxable wages for 1961-62.

Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund, and where appropriate the disability insurance trust fund, shall be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces at some time during the period September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivor protection to certain World War II veterans for a period of 3 years after leaving service. A description of the legislative history of provisions relating to credit for military service, including the provisions for reimbursement for the additional costs arising from payments made before September 1950, is contained in appendix II. No funds have been appropriated as reimbursements to the trust funds for such additional costs that arose after August 1950. New legislation will be proposed authorizing annual reimbursements based on the following plan: The estimated total additional costs arising from (1) payments that have been made through fiscal year 1963 and (2) payments that will be made in future years will be amortized by level annual appropriations to the trust funds over a 50-year period beginning in fiscal year 1965. Periodically, the estimated amount of annual payment will be refigured to reflect emerging actual costs incurred. The Budget of the United States Government for the fiscal year 1965 makes provision for the first of these reimbursements. The estimates shown in the various tables in this section reflect the effect of these annual reimbursements.